

Enhancing Leadership Performance in Difficult Times

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Today's discussion

- The leadership challenge in the current economic environment
- Why past leadership effectiveness approaches may be insufficient
- An integrated approach to enhancing leadership performance
- Priorities and actions — now, later and future

But first, we'd like your perspective...

The business environment for leaders is extremely challenging

Renewed focus on managing cost and risk

Slowing revenue and reduced access to capital

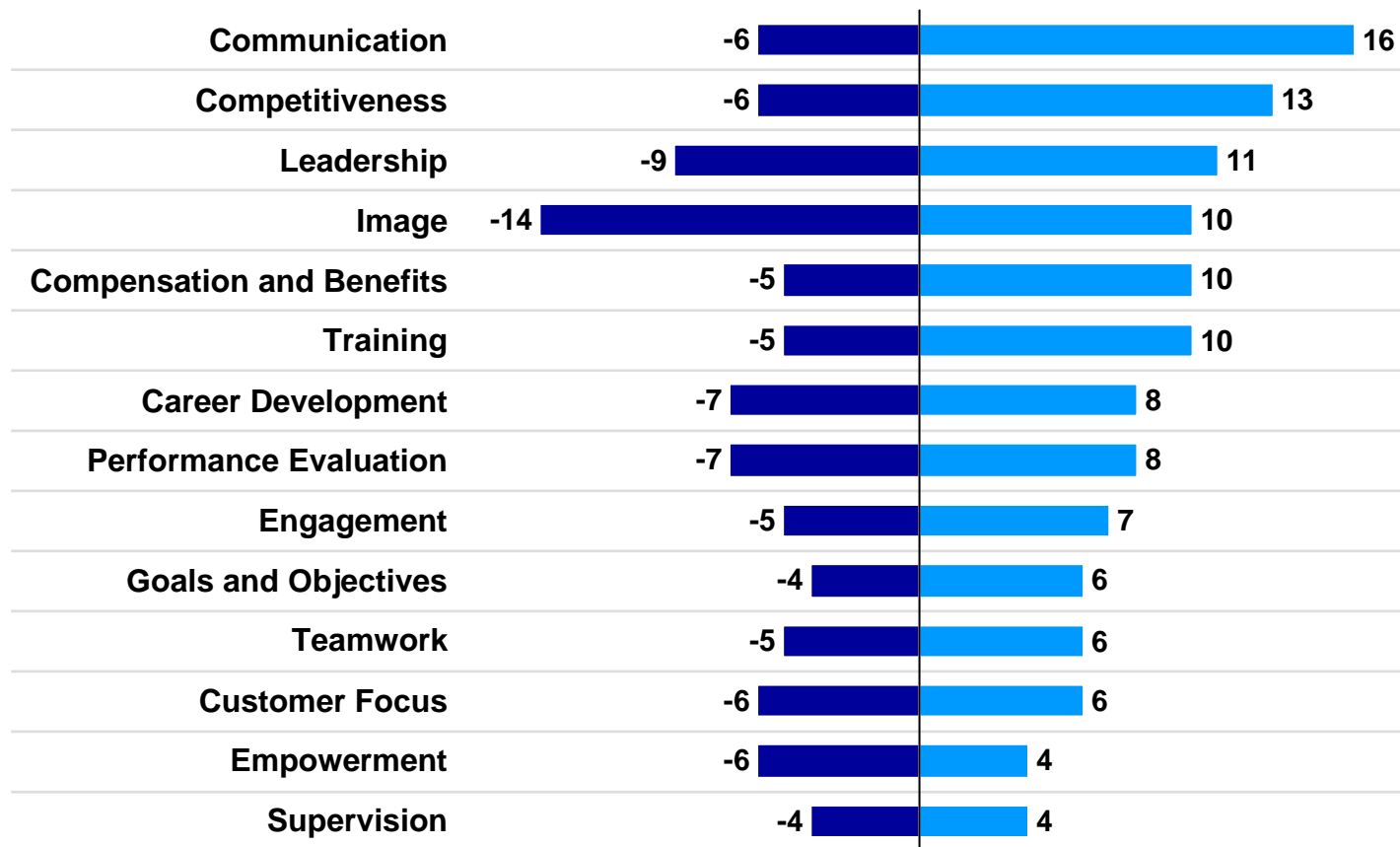
Volatile environment, difficult to predict future business states

Crisis of confidence among shareholders, customers and employees

Talent shortages even in the current market

Leadership differentiates high-performing organizations, especially in a time of transition

Variance from Average Favorability Scores — Global



■ Transition vs. global average ■ High Performance vs. global average

Source: Towers Perrin–ISR Norm Database.

Overall, organizations are focused on developing “ambidextrous” leaders

Leaders Need to Remain Great at...

- Managing cost and margins
- Operational excellence
- Strategic acumen
- Customer insight
- Applied innovation
- Technology leverage



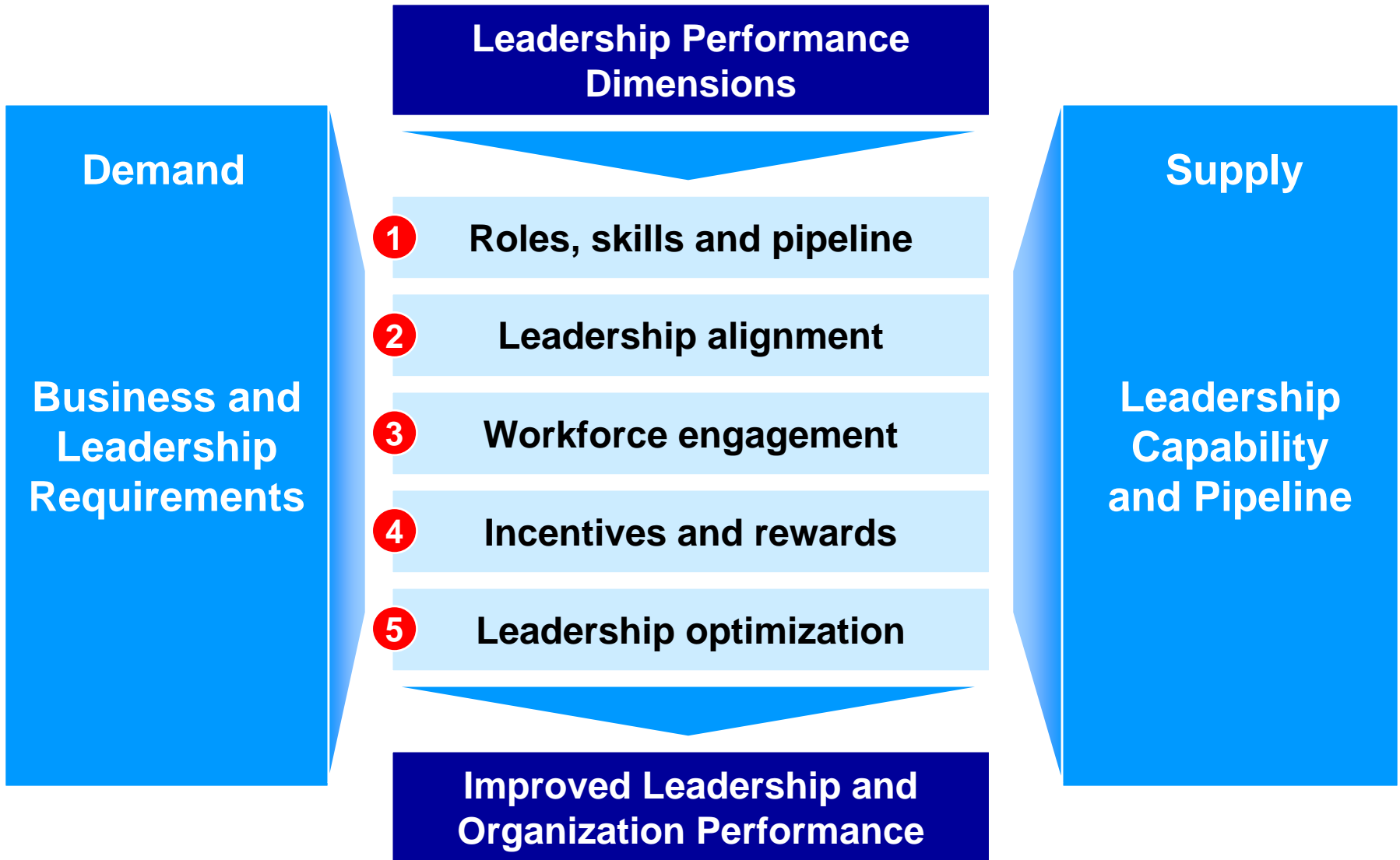
While Also Mastering...

- Global complexity
- Organization alignment
- Stakeholder and change management
- Workforce engagement
- Talent development and leverage

Existing leadership development approaches may not be sufficient — why?

- Insufficient focus on developing leaders “fit to purpose”
- Fragmented leadership processes/programs
- Competency models trapped in amber
- Underemphasis on workforce engagement
- Elegant leadership and talent models that are poorly executed
- No “decision science” to optimize development investments and measure ROI

Leadership performance approach



1 Roles, skills and pipeline

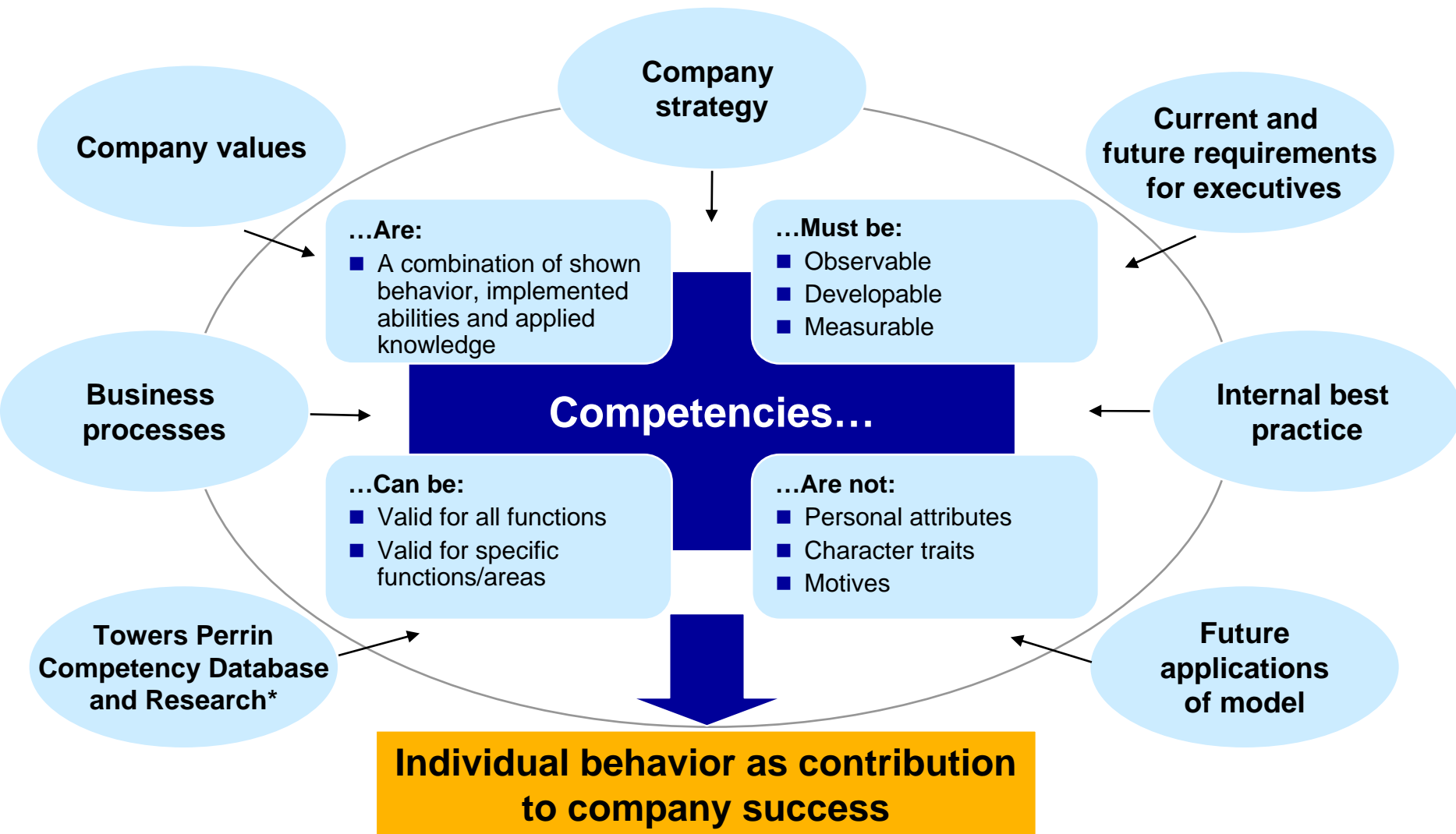
Issues

- New leadership style and skills must be developed to address new needs and challenges
- Need to identify critical roles and individuals to be retained/developed and ensure sufficient supply of future leaders (quantity and quality)
- Internal and external sourcing strategies for new leadership profiles must be implemented

Potential Actions

- Clarify overall leadership expectations based on business priorities
- Develop future-oriented leadership model (beliefs, values, competencies, skills) and transformation strategy
- Identify pivotal roles and define job descriptions and associated competencies
- Assess talent pipeline and potential gaps

Defining leadership skills and competencies



*Based on Towers Perrin-ISR normative data.

Identifying pivotal roles

1

Workforce differentiation, i.e., pivotal role/job family identification

Pivotal Role Criteria

Importance to strategy

Impact on financial value

Impact on risk mitigation

Scope of authority

Pivotal Role Criteria

Professional

Management

Executive

2

Buy or build decision

Assess talent pipeline for pivotal jobs/job families

Level 1

Talent pool job family IT

Talent pool job family HR

Candidates for jobs
within
this job family

Jobs

High performers/successors
from same or other job family
who are ready for a
horizontal move

Level 2

High potentials/successors from
same or other job family who are
ready for a **vertical** move

Level 3

Assess talent pipeline for pivotal jobs/job families (cont.)

- Proactive pipeline management needs a consistent monitoring process

Talent Pool Job Family HR

EXAMPLE

KPIs* to Assess Talent Pool

Staffing KPI: Percentage of internal staffing: 91%

Succession risk KPI:
Percentage of jobs without successor: 7%

Number of multiple nominations

Overall Assessment



*KPI – Key performance indicator

Issues

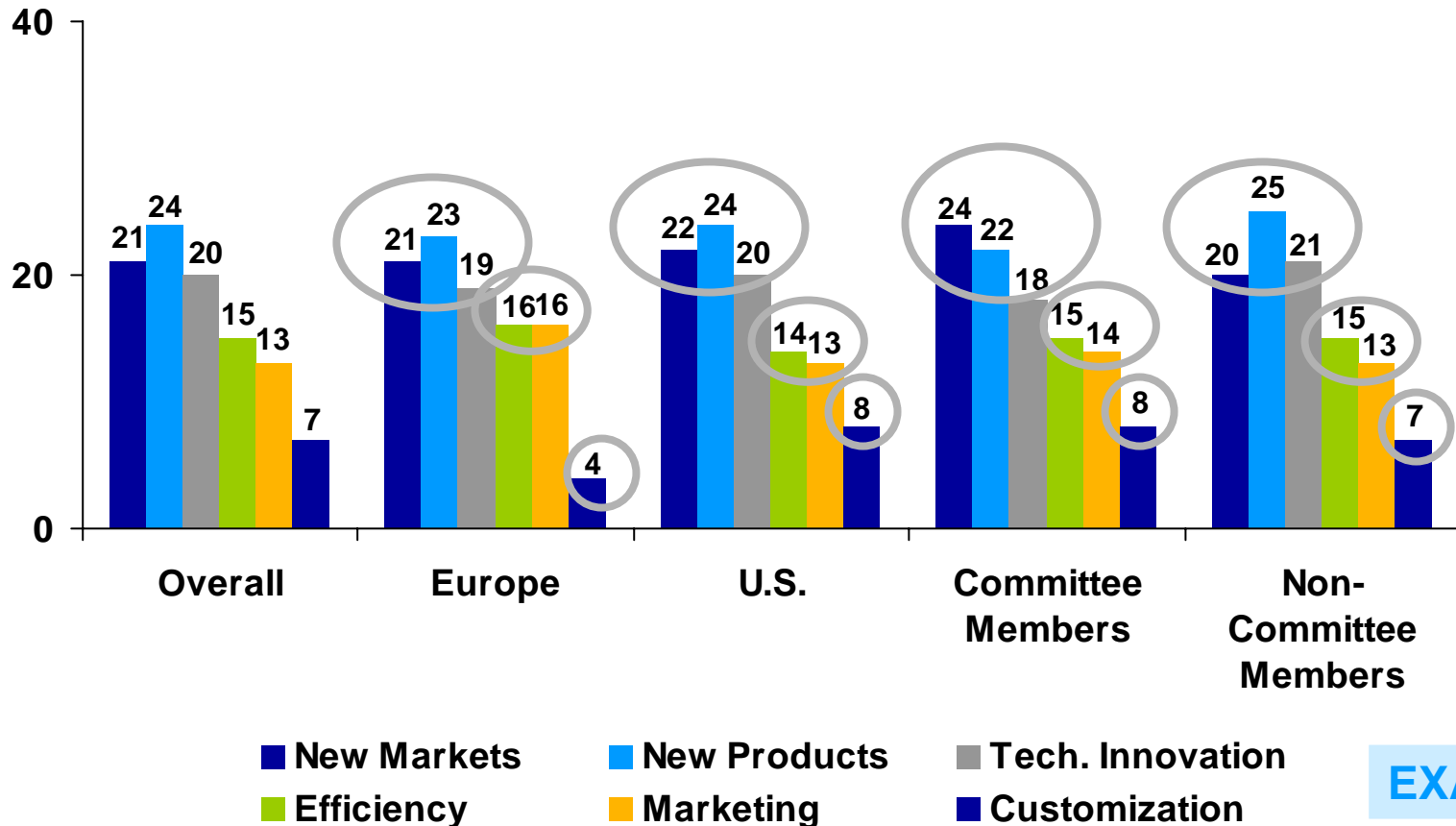
- Top team and managers may not be aligned with strategic priorities or ready for change
- The executive team may not have a shared view of the desired organizational culture
- The existing organizational culture may not ideally support the business strategy

Potential Actions

- Strategy Alignment Survey to assess shared understanding/commitment to business priorities
- Culture Alignment Tool (CAT) and workshop to define desired culture and outline plan to address gaps (including leadership behavior)
- Employee survey to identify alignment between company culture and top business goals

Strategy Alignment Survey

Imagine you have 100 points, representing all the Company's resources. Please allocate these points across the following priorities according to how critical you think each is to XYZ's future business success:



EXAMPLE

Aligning culture and strategy



*Differentiators derived from TP-ISR employee research into the survey questions and topics on which financially successful/high performing companies competing under each of these strategies excel versus their peers.

The Culture Alignment Tool

***What is most like
our CURRENT
culture?***



***What is least like
our CURRENT
culture?***

Current culture: Ordered left to right, top to bottom by average row placement score

What is most like our CURRENT culture?

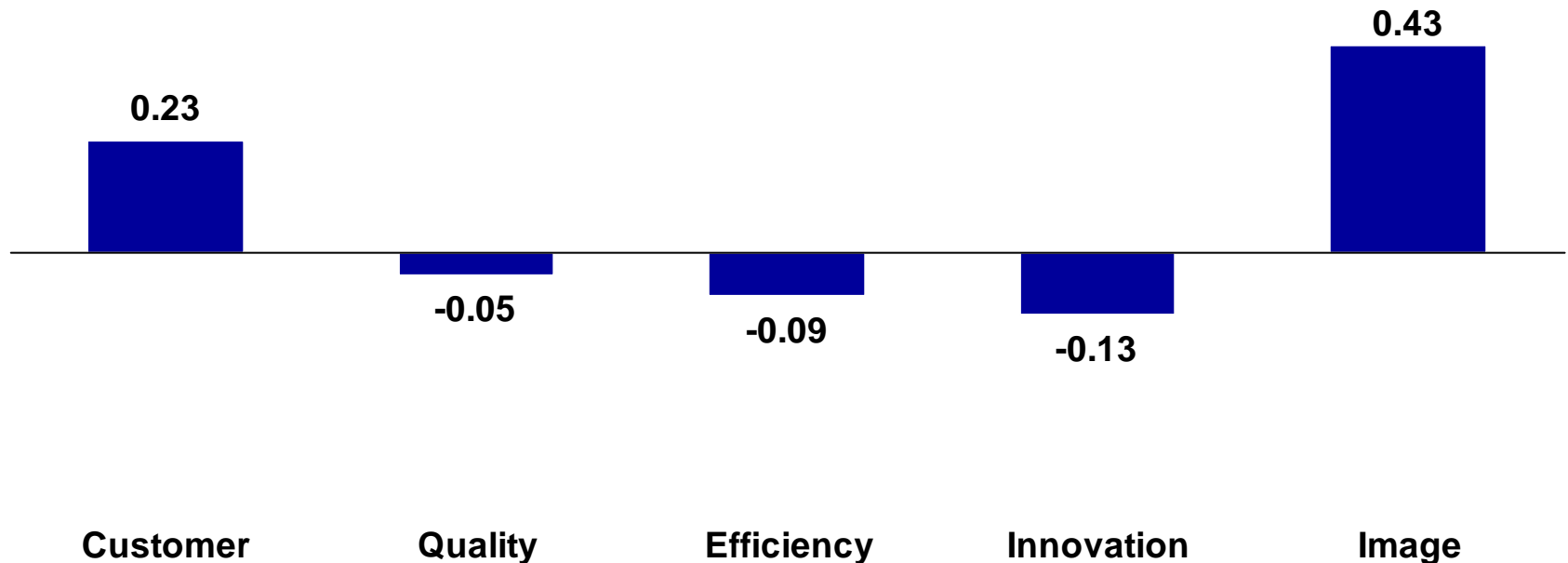
	Comprehensive Training in Basic Work Processes	Effective Exchange of Best Practices	Leadership that Inspires Confidence and Respect	Information Sharing to Improve Customer Service	EXAMPLE	
	Embedded Understanding and Acceptance of Brand Promise	Precisely Defined Job Roles	Empowerment of People to Correct/Improve Work Processes	Coordination of Efforts Across Work Groups	Positive Team Working Relationships	
	Strong Belief in Product or Service Provided	Disciplined Allocation of Resources and Workload	Disciplined Use of Data-Based Feedback on Product/Service Performance	Local Authority and Empowerment	Strong Customer Orientation	Deep Pride in Shared Company Values
	Clear and Effective Organizational Structure	Disciplined Focus on Long-Term Objectives	Focus on Talent Retention	Regularly Adopting Customer Perspective	Integrity Guiding All Business Practices	Data-Driven Assessment of Work Processes
	Focus on Advanced Training for Superior Products/ Services	Consistently Recognizing New Ideas and their Application	Anticipating Customers' Emerging Needs and Expectations	Work Environment Explicitly Reflects External Brand	Leadership Clarity on Future Priorities	
	Focus on Processes to Ensure Superior Products/ Services	Encouragement for Risk Taking	Bias for Action	Support for Diversity of Thought and Opinion		

What is least like our CURRENT culture?

Current culture correlations with strategic business priorities

- Current culture emphasizes customer relationships and image

EXAMPLE



Future culture: Ordered left to right, top to bottom by average row placement score

EXAMPLE

What is most like our FUTURE culture?

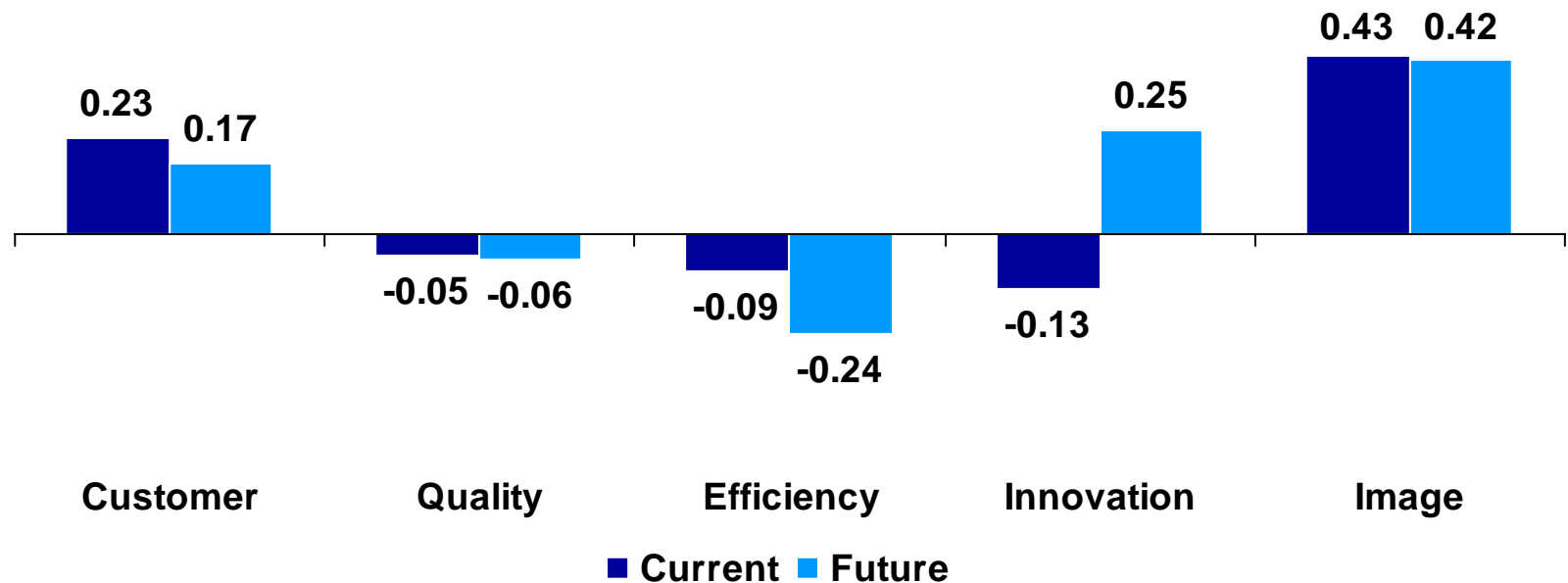
Bias for Action	Encouragement for Risk Taking	Support for Diversity of Thought and Opinion	Information Sharing to Improve Customer Service		
Embedded Understanding and Acceptance of Brand Promise	Anticipating Customers' Emerging Needs and Expectations	Empowerment of People to Correct/Improve Work Processes	Effective Exchange of Best Practices	Leadership Clarity on Future Priorities	
Strong Belief in Product or Service Provided	Disciplined Allocation of Resources and Workload	Disciplined Use of Data-Based Feedback on Product/Service Performance	Comprehensive Training in Basic Work Processes	Strong Customer Orientation	Deep Pride in Shared Company Values
Consistently Recognizing New Ideas and their Application	Disciplined Focus on Long-Term Objectives	Precisely Defined Job Roles	Regularly Adopting Customer Perspective	Integrity Guiding All Business Practices	Data-Driven Assessment of Work Processes
Focus on Advanced Training for Superior Products/Services	Clear and Effective Organizational Structure	Focus on Talent Retention	Work Environment Explicitly Reflects External Brand	Coordination of Efforts Across Work Groups	
Focus on Processes to Ensure Superior Products/Services	Positive Team Working Relationships	Local Authority and Empowerment	Leadership that Inspires Confidence and Respect		

What is least like our FUTURE culture?

Current and future culture correlations with strategic business priorities

EXAMPLE

- Current culture emphasizes customer relationships and image
- Future culture emphasizes customer relationships, image and innovation



Attributes gaining most emphasis from current to future

EXAMPLE

Attribute	Current Row	Future Row	Strategic Priority
Bias for action	6	1	Innovation
Encouragement for risk taking	6	1	Innovation
Support for diversity of thought and opinion	6	1	Innovation
Anticipating customers' emerging needs and expectations	5	2	Innovation
Leadership clarity on future priorities	5	2	Innovation

Future culture: Ordered left to right, top to bottom by average row placement score

EXAMPLE

What is most like our *FUTURE* culture?

	Bias for Action	Encouragement for Risk Taking	Support for Diversity of Thought and Opinion	Information Sharing to Improve Customer Service		
	Embedded Understanding and Acceptance of Brand Promise	Anticipating Customers' Emerging Needs and Expectations	Empowerment of People to Correct/Improve Work Processes	Effective Exchange of Best Practices	Leadership Clarity on Future Priorities	
■ High consensus	Strong Belief in Product or Service Provided	Disciplined Allocation of Resources and Workload	Disciplined Use of Data-Based Feedback on Product/Service Performance	Comprehensive Training in Basic Work Processes	Strong Customer Orientation	Deep Pride in Shared Company Values
■ Medium consensus	Consistently Recognizing New Ideas and their Application	Disciplined Focus on Long-Term Objectives	Precisely Defined Job Roles	Regularly Adopting Customer Perspective	Integrity Guiding All Business Practices	Data-Driven Assessment of Work Processes
■ Low consensus	Focus on Advanced Training for Superior Products/Services	Clear and Effective Organizational Structure	Focus on Talent Retention	Work Environment Explicitly Reflects External Brand	Coordination of Efforts Across Work Groups	
	Focus on Processes to Ensure Superior Products/Services	Positive Team Working Relationships	Local Authority and Empowerment	Leadership that Inspires Confidence and Respect		

What is least like our *FUTURE* culture?

Issues

- Workforce engagement tends to decline during a period of transition — when discretionary effort is most needed
- Leaders tend to under-communicate amid uncertainty and may not know how to manage change
- Limited resources and management attention make it critical to prioritize and focus engagement efforts

Potential Actions

- Engagement (pulse) survey and action planning for the senior leadership team
- Key driver analysis to identify factors with greatest impact on engagement
- Leadership change and communication workshop centered on
 - sustaining engagement
 - communicating effectively
 - leading in a time of change
 - retaining and developing key talent

Key driver analysis



*A statistically significant difference

Example action steps to sustain engagement

- 1 Disseminate “spin-free” communications on the business strategy and performance, with frequent updates
- 2 Equip leaders and managers for their important roles
 - leaders to communicate the business strategy clearly and often
 - managers to have productive day-to-day interactions with employees
- 3 Create line of sight between the changing business needs and employees’ daily activities
- 4 Give extra “care and feeding” to high potentials and employees in pivotal jobs

Issues

- There is no reliable “decision science” to measure the return on leadership development investments
- Organizations may be investing in activities that yield little value in improving collective leadership performance

Potential Actions

- Conduct “portfolio optimization” exercise to determine interventions/investments that best balance cost and value
- Refocus leadership development efforts

Optimizing leadership performance — Our hypothesis

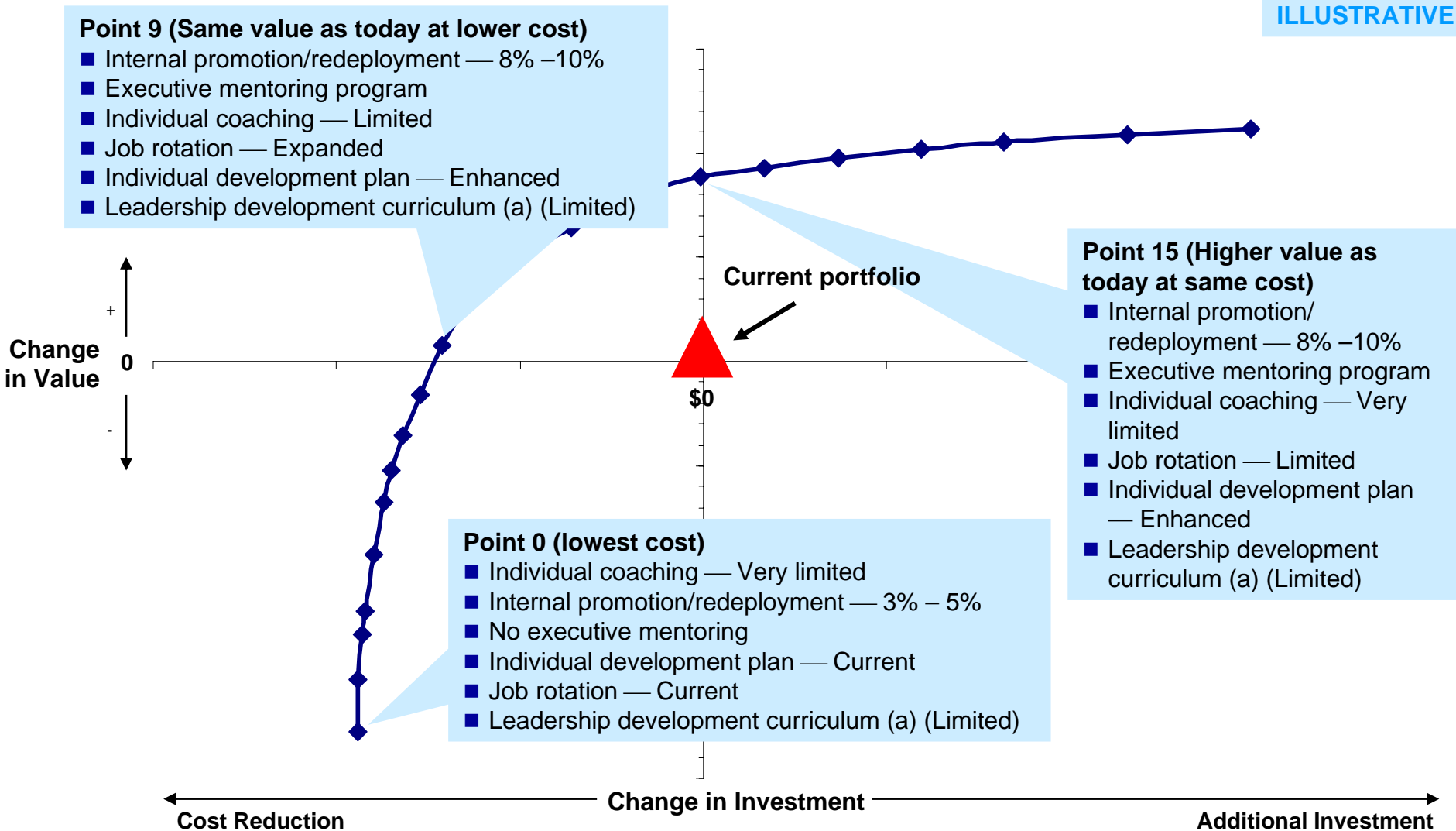
What Leadership Optimization Enables

Companies can optimize their total leadership investments by 1) clarifying required future leadership competencies and 2) ensuring that their development activities/programs most efficiently/effectively build collective “Leadership Liquidity,” i.e., readiness for potential future business states:

- Quantifying their true, total leadership development spend
- Assessing current-state competencies against the capabilities needed for *future* growth and success
- Identifying those interventions that will most effectively impact actual leadership capability and readiness to succeed in the future business state

Portfolio optimization: Finding the optimal balance of cost and impact

ILLUSTRATIVE



Summary: Setting priorities and taking action



1 Now

- Define pivotal roles and key competencies
- Retain critical leadership talent (including emerging leaders)
- Measure leadership alignment and close gaps



2 Later

- Assess talent pipeline and gaps
- Reassess workforce engagement and build leadership action plan
- Equip leaders to effectively engage the workforce in a period of uncertainty and transition



3 Future

- Align succession management practices
- Optimize leadership development investments

Questions?

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